

CORPORATE GOVERNANCE REPORT

STOCK CODE : 3069
COMPANY NAME : Mega First Corporation Berhad
FINANCIAL YEAR : December 31, 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	: Applied
Explanation on application of the practice	<p>The Board takes full responsibility for the overall performance of the Company and of the Group. It assumes, inter alia, the following responsibilities:-</p> <ul style="list-style-type: none">• Reviews the capital budgets and regularly monitors their progress throughout the year, using appropriate financial indicators;• Reviews critical business issues and the strategy in promoting business sustainability• Reviews the performance of the Group on a quarterly basis;• Reviews the adequacy and effectiveness of the Group's risk management and internal control system, including the adequacy and integrity of management information;• Reviews periodically management succession and calibre of key executives of the Group; and• Oversee the implementation and development of effective communication with shareholders and stakeholders, including investor relations programme. <p>It is the policy of the Board that its prior approval shall be obtained for material capital expenditure, projects, acquisitions or divestitures. Additionally, the Directors are expected to act in a professional manner and to observe high ethical business standards, honesty and integrity at all times and thereby protect and promote the reputation and performance of the Company. Nevertheless, the Board is always guided by the Board Charter which outlines the duties and responsibilities and matters reserved for the Board in discharging its duties.</p> <p>To assist in the discharge of its stewardship role, the Board has established Board Committees to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	The Board, led by an experienced Executive Chairman, is made up of ten members of whom three are Executive Directors, six are Independent Directors and one Non-Independent Non-Executive Director. The Executive Chairman leads the Board and ensures that appropriate discussion takes place and relevant opinions among Board members are forthcoming. In addition, the Chairman represents the Board to the shareholders to ensure orderly conduct and proceedings of general meetings and shareholders have adequate opportunity to air their views and obtain answers to their queries. The Executive Chairman also oversees the business affairs of the Group and is responsible for leading the Management in the execution of broad policies and strategies approved by the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Executive Chairman essentially functions as Chief Executive Officer and Chairman of the Board. He leads the Board and ensures that appropriate discussion takes place and relevant opinions among Board members are forthcoming. In addition, the Chairman represents the Board to the shareholders to ensure orderly conduct and proceedings of general meetings and shareholders have adequate opportunity to air their views and obtain answers to their queries. The Executive Chairman also oversees the business affairs of the Group and is responsible for leading the Management in the execution of broad policies and strategies approved by the Board. The fact that the Executive Chairman is also the single largest shareholder, there is the advantage of shareholder leadership and a natural alignment of interests. He has shown tremendous commitment and had played an integral role in the stewardship of the Group</p> <p>The Executive Chairman is assisted by the Executive Directors in ensuring the smooth and effective running of the Group. The Executive Directors are assisted by the head of each division in implementing and running the Group's day-to-day business activities. The head of division with their "hands-on" knowledge and expertise in operational issues is responsible for formulating strategic plans to accommodate changes swiftly.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is comfortable that there is no undue risk of potential conflict of interest as all related party transactions are disclosed and strictly dealt with in accordance with the MMLR. In addition, the Independent Directors who constitute a majority of the Board, provides for effective oversight over management and ensures that there is independence of judgement.
Timeframe	:	Others

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>During the financial year ended 31 December 2017, the Board was supported by the services of a professionally qualified and competent Company Secretary who has more than thirty years working experience in company secretarial services. The abovementioned Company Secretary person had retired with effect from 31 December 2017, and was succeeded by a newly appointed Company Secretary, who has more than eighteen years working experience in company secretarial services. The newly appointed Company Secretary continues to support the Board. Both company secretaries are an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>The Company Secretary attends all meetings of the Board and its Committees, and ensure that meetings are properly convened, all Directors receive timely information in advance prior to the meeting as well as accurate and proper records of the proceedings and resolution passed are taken and maintained. Additionally, the Company Secretary advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied																						
Explanation on application of the practice	:	<p>The dates for Board and Board Committees meetings and the Annual General Meeting for the financial year are scheduled in advance before the end of each financial year to facilitate the Directors' time management.</p> <p>Prior to the Board meeting, all Directors will receive the agenda and a set of Board papers containing information for deliberation at the Board meetings.</p> <p>Minutes of each Board meeting are circulated to all Directors prior to the confirmation of the minutes to be done at the commencement of the following Board meeting. The Directors may request for clarification or raise comments before the minutes are confirmed as a correct record of the proceedings of the meeting.</p> <p>During the year ended 31 December 2017, six Board meetings were held and the attendance record of each Director is as follows:-</p> <table><thead><tr><th><u>Name of Director</u></th><th><u>Attendance</u></th></tr></thead><tbody><tr><td>Goh Nan Kioh</td><td>5 out of 6</td></tr><tr><td>Goh Nan Yang</td><td>5 out of 6</td></tr><tr><td>Khoo Teng Keat</td><td>6 out of 6</td></tr><tr><td>Yeow See Yuen</td><td>5 out of 6</td></tr><tr><td>Tay Kheng Chiong</td><td>4 out of 6</td></tr><tr><td>Dato' Tan Ang Meng</td><td>6 out of 6</td></tr><tr><td>Dato' Koh Hong Sun</td><td>6 out of 6</td></tr><tr><td>Pengiran Saifuddin bin Pengiran Tahir</td><td>6 out of 6</td></tr><tr><td>Jesper Bjorn Madsen</td><td>5 out of 6</td></tr><tr><td>Professor Dato' Dr. Tan Hui Meng <i>(Appointed on 20 March 2017)</i></td><td>3 out of 5</td></tr></tbody></table>	<u>Name of Director</u>	<u>Attendance</u>	Goh Nan Kioh	5 out of 6	Goh Nan Yang	5 out of 6	Khoo Teng Keat	6 out of 6	Yeow See Yuen	5 out of 6	Tay Kheng Chiong	4 out of 6	Dato' Tan Ang Meng	6 out of 6	Dato' Koh Hong Sun	6 out of 6	Pengiran Saifuddin bin Pengiran Tahir	6 out of 6	Jesper Bjorn Madsen	5 out of 6	Professor Dato' Dr. Tan Hui Meng <i>(Appointed on 20 March 2017)</i>	3 out of 5
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Professor Dato' Dr. Tan Hui Meng <i>(Appointed on 20 March 2017)</i>	3 out of 5																							
Explanation for departure	:																							

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied	
Explanation on application of the practice	:	The Board has adopted a Board Charter since 27 February 2014 and was reviewed on 27 November 2017. The Board Charter provides guidance and clarity for Directors and Management in their stewardship of the Group and Company. The Board Charter covers key areas, amongst others, Code of Ethics and Conduct, matters reserved for the Board, Board size and composition, appointment and re-election of Directors, independence of Directors, tenure of independent director, Board evaluation and performance, roles of the Chairman, Executive Directors (including chief executive officer), Board and Board committees, and conflict of interest. The revised Board Charter is available on the Company's website, www.mega-first.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	The Company adopts the Employee Code of Conduct and Disciplines ("COCD"). The COCD is embedded in the Employee Handbook. All employees have access to Employee Handbook at all times in the shared server. The Employee Code of Conduct and Disciplines is available on the Company's website, www.mega-first.com .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Group is committed to achieving and maintaining the highest standard of work ethics in the conduct of business. The Group encourages its employees to raise genuine concerns about possible improprieties (misconduct or criminal offence) to the attention of the Board.</p> <p>All whistle-blowing reports are addressed to the Chairman of the Audit Committee (“AC”) of the Board. The Whistle-blowing Policy is available for reference on the Company’s website, www.mega-first.com.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied	
Explanation on application of the practice	:	The Board, led by an experienced Executive Chairman, is made up of ten members of whom three are Executive Directors, six are Independent Directors and one Non-Independent Non-Executive Director. Independent Directors form more than half of the Board, thus fulfilling the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad for ensuring that minority shareholders’ interests are adequately represented.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied - Two Tier Voting
Explanation on application of the practice	:	<p>The Nominating Committee ("NC") reviews the independence of Directors annually according to the criteria on independence set out in the MMLR. Under the evaluation process, each Independent Director will perform a self-review on his independence by completing a declaration form with questions drawn from the MMLR. The NC evaluates the declaration and submits its findings to the Board for deliberation.</p> <p>The Board's policy on the length of service of Independent Directors is that as long as the Board agrees that the Independent Director remains independent and is able to contribute positively to the Group, he or she shall be retained to serve irrespective of the years he or she has been an Independent Director.</p> <p>Mr Yeow See Yuen has served the Company as an Independent Director for more than twelfth years. The NC and the Board are satisfied that Mr Yeow See Yuen remains unbiased, objective and independent in expressing his opinions and in participating in the decision making of the Board. He possesses tremendous insights and in-depth knowledge of the Company's business and affairs. The length of his services on the Board has not in any way interfered with his objective and independent judgment in carrying out his role as a member of the Board and relevant Committees. With his skills and vast experience in business, accounting, finance and management, Mr Yeow See Yuen would be able to contribute during deliberations or discussions of the Board and Board Committees. He has also devoted sufficient attention to his responsibilities as an Independent Director and in carrying out his duty in the best interest of the Company and its shareholders.</p> <p>The Board therefore recommends for shareholders' approval through a two-tier voting process in the upcoming annual general meeting to be held on 28 May 2018 to retain Mr Yeow See Yuen as Independent Director.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied	
Explanation on application of the practice	:	<p>With a view to achieve a sustainable and balanced development, the Company sees increasing diversity at the Board and Senior Management levels as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board considers diversity from different aspects, including age, gender, educational and cultural background, ethnicity, nationalities, professional experience, skills, knowledge and length of service. Additionally, the Group will continue with equal employment opportunity policy that goes beyond gender in terms of promoting diversity in our business.</p> <p>The Board considers that the Executive and Non-Executive Directors collectively bring the range of skills, knowledge, independence and experience necessary to direct the Company. The members of the Board with their combined experience and skills in business operations and development, management and professional experience enable the Board to provide stewardship and oversight of the Company</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company’s policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board values diversity as a factor in selecting candidates to serve on the Board. The Board recognises that gender diversity is of importance to boardroom diversity. Nevertheless, the normal selection criteria based on an effective blend of competencies, skills, characteristics, extensive experience and knowledge to strengthen the Board will remain a priority. As such, the Board has not set specific gender diversity targets but is committed to ensuring diversity and inclusiveness in its composition and deliberations.	
		Females have always been included in the shortlisting process of candidates for vacancies within the Group.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The NC will continue sourcing for suitable female candidate to join the Board. Any appointment to the Board will be based on skills, diversity, knowledge and experience.	
Timeframe	:	Within 3 years	3 years

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The NC is responsible for, amongst others, making independent recommendations for appointments to the Board. Selection of candidates for appointment to the Board is facilitated through recommendations from the Directors, Management or external parties/independent sources such as head hunters. All appointments to the Board will be made on merit and selection of candidates largely focuses on ensuring a good mix of skills, expertise, experience and background (including consideration of diversity and gender) required for an effective Board and competing time commitments if the candidate has multiple board representations.</p> <p>The Board endeavours to ensure that it consists of individuals with a diverse background equipped with knowledge and experience to make sensible business decisions and recommendations, the ability to see the wider picture and raise constructive queries and the achievement of the Company’s goals.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by Dato' Koh Hong Sun, a Senior Independent Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied						
Explanation on application of the practice	:	<p>The Directors are provided with assessment forms to facilitate the annual assessment of the Board as a whole, Board Committees, and Directors. The Directors have completed the assessment forms for the financial year ended 31 December 2017.</p> <p>The assessment on Board and Board Committees and individual Directors is based on the following criteria:</p> <table border="1"> <tr> <td>Board</td> <td> <ul style="list-style-type: none"> ➤ Role and Responsibilities ➤ Board Composition ➤ Information to the Board ➤ Conduct of Board Meetings ➤ Performance Evaluation </td> </tr> <tr> <td>Board Committees</td> <td> <ul style="list-style-type: none"> ➤ Size ➤ Quality and timeliness of communications ➤ Effectiveness and functions </td> </tr> <tr> <td>Self and Peer Assessment</td> <td> <ul style="list-style-type: none"> ➤ Fit and proper ➤ Contribution and Performance ➤ Calibre and personality </td> </tr> </table> <p>The Company Secretary would compile the results for the NC’s evaluation prior to reporting to the Board for deliberation and approval.</p> <p>Generally, the Board and Committee members were satisfied with all criteria being assessed.</p>	Board	<ul style="list-style-type: none"> ➤ Role and Responsibilities ➤ Board Composition ➤ Information to the Board ➤ Conduct of Board Meetings ➤ Performance Evaluation 	Board Committees	<ul style="list-style-type: none"> ➤ Size ➤ Quality and timeliness of communications ➤ Effectiveness and functions 	Self and Peer Assessment	<ul style="list-style-type: none"> ➤ Fit and proper ➤ Contribution and Performance ➤ Calibre and personality
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Explanation for departure	:	 						
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>								
Measure	:							

Timeframe	:		
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Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board maintains that the current remuneration for each category of directors is sufficient to attract and retain directors of high calibre needed to run the Group successfully. The Remuneration Committee ("RC") reviews annually and the Board approve the remuneration for Executive Directors and senior management staff. The remuneration of the Executive Directors and senior management staff are structured so as to link rewards to corporate and individual performance. The remuneration package consists of basic salary, annual bonus, contribution to EPF based on statutory rate and other customary benefits-in-kind. The director's fees attributable to the Executive Directors for their directorship in other companies within the Group are paid to the Company.</p> <p>The remuneration for Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at annual general meeting. The level of remuneration reflects level of responsibilities undertaken by the particular Non-Executive Director concerned. The Non-Executive Directors are also paid a meeting allowance for each Board, Board Committee or general meeting they attend. They are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company. The Directors concerned do not participate in the deliberation and decision in respect of his individual remuneration.</p> <p>To be in line with the practice, the terms of reference of Remuneration Committee has been amended to incorporate the Remuneration Policy for Directors and Senior Management. The terms of reference of Remuneration Committee is available on the Company's website, www.mega-first.com</p>
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The RC is primarily responsible for recommending to the Board the remuneration packages of the Executive Directors of the Company. It is also responsible for reviewing and recommending to the Board the annual salary and bonus for the Executive Directors and senior management staff.</p> <p>The RC consists of a majority of Non-Executive Directors. The composition of the RC is set out in the Corporate Information section of this Annual Report.</p> <p>The RC adopted a terms of reference since its establishment on 1 July 1998. The terms of reference was reviewed and revised on 27 March 2018. The terms of reference is available on the Company's website, www.mega-first.com.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied																																																												
Explanation on application of the practice	:	<p>The remuneration of Directors, excluding share options during the year under review are as follows:</p> <p>1) Non-Executive Directors ("NEDs")</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Name of NEDs</th> <th>Directors Fees</th> <th>Meeting Allowances</th> </tr> <tr> <td></td> <td></td> <td>RM</td> <td>RM</td> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Dato' Koh Hong Sun</td> <td>61,000</td> <td>6,500</td> </tr> <tr> <td>2.</td> <td>Dato' Tan Ang Meng</td> <td>71,000</td> <td>7,500</td> </tr> <tr> <td>3.</td> <td>Yeow See Yuen</td> <td>79,000</td> <td>8,000</td> </tr> <tr> <td>4.</td> <td>Pengiran Saifuddin bin Pengiran Tahir</td> <td>55,000</td> <td>3,500</td> </tr> <tr> <td>5.</td> <td>Jesper Bjorn Madsen</td> <td>67,000</td> <td>5,500</td> </tr> <tr> <td>6.</td> <td>Professor Dato' Dr. Tan Hui Meng</td> <td>43,023.75</td> <td>2,000</td> </tr> <tr> <td>7.</td> <td>Tay Kheng Chiong</td> <td>66,000</td> <td>4,500</td> </tr> </tbody> </table> <p>2) Executive Directors</p> <table border="1"> <thead> <tr> <th>Components</th> <th>Goh Nan Kioh</th> <th>Khoo Teng Keat</th> <th>Goh Nan Yang</th> </tr> <tr> <td></td> <td>RM</td> <td>RM</td> <td>RM</td> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>-</td> <td>240,000</td> <td>300,000</td> </tr> <tr> <td>Bonus</td> <td>-</td> <td>60,000</td> <td>75,000</td> </tr> <tr> <td>Other Emoluments</td> <td>-</td> <td>72,828.60</td> <td>120,828.60</td> </tr> <tr> <td>Benefits in-kind</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	No.	Name of NEDs	Directors Fees	Meeting Allowances			RM	RM	1.	Dato' Koh Hong Sun	61,000	6,500	2.	Dato' Tan Ang Meng	71,000	7,500	3.	Yeow See Yuen	79,000	8,000	4.	Pengiran Saifuddin bin Pengiran Tahir	55,000	3,500	5.	Jesper Bjorn Madsen	67,000	5,500	6.	Professor Dato' Dr. Tan Hui Meng	43,023.75	2,000	7.	Tay Kheng Chiong	66,000	4,500	Components	Goh Nan Kioh	Khoo Teng Keat	Goh Nan Yang		RM	RM	RM	Salary	-	240,000	300,000	Bonus	-	60,000	75,000	Other Emoluments	-	72,828.60	120,828.60	Benefits in-kind	-	-	-
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Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure																	
Explanation on application of the practice	:																		
Explanation for departure	:	Remuneration of the top five senior management, excluding Executive Directors of the Company (in aggregate basis) are as follows:																	
		<table border="1"> <thead> <tr> <th>Top Five Senior Management</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>RM0 – RM350,001</td> <td>-</td> </tr> <tr> <td>RM350,001 – RM400,000</td> <td>2</td> </tr> <tr> <td>RM400,001 – RM450,000</td> <td>1</td> </tr> <tr> <td>RM450,001 – RM650,000</td> <td>-</td> </tr> <tr> <td>RM650,001 – RM700,000</td> <td>1</td> </tr> <tr> <td>RM700,001 – RM900,000</td> <td>-</td> </tr> <tr> <td>RM900,001 – RM950,000</td> <td>1</td> </tr> </tbody> </table>		Top Five Senior Management	Number of Senior Management	RM0 – RM350,001	-	RM350,001 – RM400,000	2	RM400,001 – RM450,000	1	RM450,001 – RM650,000	-	RM650,001 – RM700,000	1	RM700,001 – RM900,000	-	RM900,001 – RM950,000	1
Top Five Senior Management	Number of Senior Management																		
RM0 – RM350,001	-																		
RM350,001 – RM400,000	2																		
RM400,001 – RM450,000	1																		
RM450,001 – RM650,000	-																		
RM650,001 – RM700,000	1																		
RM700,001 – RM900,000	-																		
RM900,001 – RM950,000	1																		
		The Board is of the opinion that the disclosure on named basis would not be in the best interest of the Company due to confidentiality, sensitivity and security concerns.																	
		The Board ensures that the remuneration of Senior Management commensurate with individual and Company performance, and able to retain and motivate them.																	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																			
Measure	:	The Board may consider to disclose on the remuneration of Senior Management on a named basis in future.																	
Timeframe	:	Within 3 years																	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The AC comprises Independent Non-Executive Directors. The AC is chaired by Mr Yeow See Yuen. The Chairman of the Board is Mr Goh Nan Kioh.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>Currently, none of the members of the AC is a former key audit partner.</p> <p>The Company acknowledges the recommended practice. The terms of reference of the AC was amended and approved by the Board of Directors on 27 March 2018, to incorporate the requirement that any former key audit partner is subject to observe a cooling-off period of at least two years before being eligible for appointment as an AC member.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations.
The company’s financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied	
Explanation on application of the practice	:	This practice is conducted annually and has been incorporated in the Terms of Reference of the AC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	Prior to the implementation of the MCCG 2017, the AC comprised three Independent Directors and one Non-Independent Director. On 27 November 2017, Mr Tay Kheng Chiong, a Non-Independent Director relinquished his position as member of the AC. The AC now comprises solely Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman and Members of the AC are financially literate with vast experience and skills in accounting and finance as well as other relevant fields of expertise. Their skills, experience and expertise enable them to understand matters under the purview of the AC including the review and interpretation of financial statements. Members' of the AC shall inform the Secretary of their training needs by filling in the directors' training needs section contained in the yearly assessment form. The training attended by the members of the AC is available in the Corporate Governance Overview Statement of the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied	
Explanation on application of the practice	:	The Board acknowledges that that it is responsible for the overall risk management and internal control system of the Group, and for reviewing its adequacy, integrity and effectiveness. The Group’s Risk Management Framework is available in the Statement on Risk Management and Internal Control in the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The features of the Group’s Risk Management Framework is explained in the Statement on Risk Management and Internal Control in the Annual Report 2017.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Internal Audit Department (“IAD”) maintained independence, objectivity and professionalism in discharging their duties as guided by the Internal Audit Charter and satisfied with The Institute of Internal Auditors’ Definition of Internal Auditing.</p> <p>The Head of Internal Audit (“IA”) functionally reports to the AC with unrestricted access to the AC Chairman on all matters. The appointment of the Head of IA is reviewed and approved by the AC which includes a review of the competency and experience of internal auditors as well as adequacy of resources of the internal audit function.</p> <p>The review on adequacy and effectiveness of internal control and compliance control, as well as evaluation of the risk management process is performed independently by the IA Department (“IAD”). The IAD provides reasonable assurance to the AC that there are no material deficiency in the internal control of the Group. The result of audits as narrated in regular audit reports are deliberated in AC meetings attended by the Head of IA.</p> <p>The detailed activities performed by IAD are set out in the AC Report of the Annual Report 2017.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>To the best of our knowledge, the internal audit personnel are free from any relationship or conflicts of interest that could impair their objectivity and independence. All IA personnel are required to adhere to the COCD and are in compliance with the Internal Audit Charter. All IA Personnel have confirmed to the AC with the signing of an annual declaration to disclose that they are independent, objective and free from any relationship or conflict of interest.</p> <p>Currently, the IAD has 3 personnel comprising the Head of IA and 2 internal auditors. The department is headed by Mr Yong Kim Joo, who holds a professional qualification i.e. The Association of International Accountants (UK). He is also an Associate member of The Institute of Internal Auditors Malaysia.</p> <p>The IAD has adopted a risk-based approach for its internal audit assignments focusing on high risk areas of the Group's business activity. All audits processes are also guided by the Guidance for an Effective Internal Audit Function issued by The Institute of Internal Auditors Malaysia.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges the need for shareholders and stakeholders to be informed of all material business matters affecting the Company. They are kept well informed of developments and performances of the Company through timely announcements and disclosures made to the Bursa Malaysia, including the release of financial results on a quarterly basis. The Company's annual report which contains all the necessary disclosures in addition to facts and figures about the Group and the Company is released within four months after the financial year end. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations. All announcements and disclosures made to Bursa Malaysia, including the annual report, are also accessible from the Company's website, www.mega-first.com.</p> <p>The Company has been using the Annual General Meeting each year as a means of communicating with shareholders. All shareholders of the Company receive the annual report of the Company and the notice of the annual general meeting, which notice is also advertised. The Company has been using the Annual General Meeting each year as a means of communicating with shareholders. All shareholders of the Company receive the annual report of the Company and the notice of the annual general meeting, which notice is also advertised in the press. The Company's annual report and notice of annual general meeting are also released to Bursa Malaysia via electronic submission on a timely basis to ensure effective dissemination to shareholders. Members of the Board, the Chief Financial Officer and the external auditors are present to answer questions raised at the general meetings of shareholders. Adequate time is given during general meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.</p> <p>The voting on all resolutions to be tabled at the 51st AGM will be by way of poll and will be conducted electronically. In addition, the Company will appoint one scrutineer to validate the votes cast at the AGM. The detailed results of the voting in terms of number of votes and percentage for and against the respective resolution will be announced to Bursa Malaysia.</p>

	<p>In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the shareholders. Shareholders also can obtain up-to-date information on the Group's latest quarterly financial report and announcements by accessing its website.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The recommended practice is not applicable to MFCB as MFCB is not classified under Large Company.	
		MFCB is not classified under Large Company.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Will keep abreast with the latest developments in integrated reporting requirements	
Timeframe	:	Others	When necessary

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	The notice for the 52 nd Annual General Meeting was given to the shareholders 28 days prior to the Meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors attended the 51st Annual General Meeting in 2017.</p> <p>The Chairman of AC, NC and RC were available during the 2017 Annual General Meeting to provide meaningful replies to questions addressed to them.</p> <p>All Directors and Chairmen of committees, will continue to adhere to the good practice and attend the upcoming Annual General Meeting and future General Meeting, when possible.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not applicable to the Company as it does not have large number of shareholders.	
		In the past, the Company did not hold any meetings in remote locations. The Company has no intention to hold meetings in remote locations in future as well.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Will consider the practice in future, when necessary	
Timeframe	:	Others	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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